Interim Report | June 30, 2019

Horizons Morningstar Hedge Fund Index ETF (HHF:TSX)

HORIZONS ETFs by Mirae Asset

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Contents

Interim Letter from the President and CEO:

The first six months of 2019 has been a very exciting period for both Horizons ETFs and the Canadian ETF industry. The industry now exceeds $181 billion in assets under management ("AUM") across more than 800 ETF listings. Meanwhile, we launched seven new ETFs in the first half of the year, giving us a total of 90 different investment tools available for our clients. Our AUM continues to grow as well, now exceeding $10 billion.

In 2019, we have continued to focus on expanding our lineup of marijuana-focused ETFs to give investors more ways to access this exciting, burgeoning sector. To complement our existing cannabis ETFs – the Horizons Marijuana Life Sciences Index ETF ("HMMJ"), the world's first and largest marijuana ETF, and the Horizons Emerging Marijuana Growers Index ETF ("HMJR"), Canada's first small-cap marijuana ETF – we introduced three additional cannabis funds. In April, we brought to market the world's first U.S.-focused marijuana index ETF – the Horizons US Marijuana Index ETF ("HMUS"); and in May, we launched the world's first leveraged and inverse marijuana ETFs – the BetaPro Marijuana Companies 2x Daily Bull ETF ("HMJU") and the BetaPro Marijuana Companies Inverse ETF ("HMJI").

Horizons ETFs is continuing to innovate in areas outside of the Cannabis space. In May, we unveiled Canada's first uranium ETF – the Horizons Global Uranium Index ETF ("HURA"). In addition, we expanded our suite of Total Return Index ETFs to 15 with the launch of the Horizons Equal Weight Canada REIT Index ETF ("HCRE"), Horizons Laddered Canadian Preferred Share Index ETF ("HLPR") and Horizons Equal Weight Canada Banks Index ETF ("HEWB").

Despite any direction that markets or interest rates take, we have ETF solutions that allow investors of all types to customize their portfolio exposure. For information on all our strategies, please visit our website at www.HorizonsETFs.com where we offer a range of resources designed to help you become a more educated ETF investor.

Thank you for your continued support and wishing you strong returns for the remainder of 2019 and beyond.

Steven J. Hawkins, President & CEO
Horizons ETFs Management (Canada) Inc.

MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance for Horizons Morningstar Hedge Fund Index ETF ("HHF" or the "ETF") contains financial highlights and is included with the unaudited interim financial statements for the investment fund. You may request a copy of the ETF's unaudited interim or audited annual financial statements, interim or annual management report of fund performance, current proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosures, at no cost, from the ETF's manager, Horizons ETFs Management (Canada) Inc. ("Horizons Management" or the "Manager"), by calling toll free 1-866-641-5739, or locally (416) 933-5745, by writing to us at: 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7, or by visiting our website at www.horizonsetfs.com or SEDAR at www.sedar.com.

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance, or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements.

Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the ETF may invest and the risks detailed from time to time in the ETF's prospectus. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors. We caution that the foregoing list of factors is not exhaustive, and that when relying on forward-looking statements to make decisions with respect to investing in the ETF, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Manager does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

Management Discussion of Fund Performance

Investment Objective and Strategies

HHF seeks investment results, before fees, expenses, distributions, brokerage commissions and other transaction costs, that replicate the performance of the Morningstar Broad Hedge Fund Index (the "Hedge Fund Index"), hedged to the Canadian dollar. The ETF uses an index replication strategy that provides exposure to futures contracts, exchange traded funds, money market instruments and cash. The ETF does not invest, directly or indirectly, in the constituent hedge funds comprising the Hedge Fund Index.

In order to achieve its investment objectives, HHF has entered into multiple forward purchase and sale agreements (see the *Forward Agreements* below) with an acceptable counterparty, pursuant to which the ETF has gained exposure to the investment portfolio of the HAP Nexus Hedge Fund Replication Trust (the "Fund"). Since neither HHF, nor the Fund, invest directly or indirectly, in the constituent hedge funds comprising the Hedge Fund Index, the Fund seeks to track the performance of the Hedge Fund Index by using the Nexus Hedge Fund Index Replication Strategy (the "Replication Strategy"). The Replication Strategy is a factor-based index replication method which uses statistical models to estimate the net exposure of the Hedge Fund Index's components to its main return-generating factors, which usually correspond to the main asset classes available on financial markets. National Bank of Canada ("NBC" or the "Replication Strategy Weightings Provider") owns rights to use the Replication Strategy which will be implemented by the Fund's investment manager. Use of the Replication Strategy is licensed from NBC. The Fund uses derivatives, including futures contracts and forwards, for hedging purposes. The Fund is primarily invested in a basket of liquid futures contracts, money market instruments, cash, and, from time to time, exchange traded funds ("ETFs").

Management Discussion of Fund Performance (continued)

The Morningstar Broad Hedge Fund Index

The Hedge Fund Index is a rules-based, asset-weighted index based on the largest and broadest hedge fund database in the hedge fund industry. The Hedge Fund Index is designed to capture the performance and behaviour of the most liquid hedge funds offering exposure to a wide spectrum of core and category hedge fund strategies. The Hedge Fund Index is comprised of between 600 and 800 U.S. based hedge funds from a universe of more than 7,000 single strategy and fund-of-fund hedge funds. Many hedge funds have high initial investment requirements and long hold periods, both of which make it difficult for any investor to purchase and maintain a portfolio that holds all of the hedge funds listed in the Hedge Fund Index. As a result, the Hedge Fund Index is considered to be an un-investible index.

Please refer to the ETF's most recent prospectus for a complete description of HHF's and the Fund's investment restrictions.

The Forward Agreements

In order to achieve its investment objective, the ETF has entered into multiple forward agreements (each a "Forward Agreement") each with a bank counterparty ("Forward Counterparty"). The Forward Agreements provide both positive exposure to the Fund and negative exposure to the Fund. The ETF seeks to achieve its investment objective through the net exposure of these Forward Agreements ("Net Notional Exposure").The ETF generally invests its assets in interest bearing accounts and short-term Canadian federal or provincial treasury bills ("T-bills") to earn prevailing short-term market interest rates to serve as collateral for the Forward Agreements.

The one or more Forward Counterparties to any Forward Agreements entered into by the ETF must be a chartered Canadian bank or an affiliate of a chartered Canadian bank whose obligations are guaranteed by a chartered Canadian bank, and has a designated rating.

In respect of short-term securities or instruments (where the maturity date of the security or instrument is less than one year), Forward Counterparties must have a designated rating for Commercial Paper/Short-Term Debt no lower than (a) Dominion Bond Rating Service Limited ("DBRS") - "R-1(low)"; (b) Fitch Ratings ("Fitch") - "F1"; (c) Moody's Investors Service ("Moody's") - "P-1"; and (d) Standard & Poor's ("S&P") - "A-1(Low)".

In respect of long-term securities or instruments (where the maturity date of the security or instrument is equal to or greater than one year), Forward Counterparties must have a designated rating for Long-Term Debt no lower than (a) DBRS - "A"; (b) Fitch - "A"; (c) Moody's - "A2"; and (d) S&P - "A".

Forward Counterparties are subject to the applicable short-term or long-term designated rating restrictions listed above. The Forward Counterparty to the Forward Agreements, National Bank of Canada ("NBC"), meets those designated rating requirements.

Each Forward Agreement has a remaining term to maturity at any point in time of less than five years which, with the consent of the ETF and the applicable Forward Counterparty, will be extended annually for a fixed number of years and, provided no default or event of default and no unresolved hedging event or disruption event has occurred and is continuing, the ETF has the ability to request the termination of its exposure under a Forward Agreement, in whole or in part, at any time.

Since the Forward Agreements, like most forward agreements, may settle the obligations of each party on a net basis, the exposure of the ETF to the credit risk of any one Forward Counterparty is limited to the positive mark-to-market of the Forward Agreements in aggregate entered into with that Forward Counterparty, if any, which is calculated and accrued on a daily basis.

Management Discussion of Fund Performance (continued)

Risk

The Manager performs a review of the ETF's risk rating at least annually, as well as when there is a material change in the ETF's investment objective or investment strategies. The current risk rating for the ETF is: low to medium.

Risk ratings are determined based on the historical volatility of the ETF as measured by the standard deviation of its performance against its mean. The risk categorization of the ETF may change over time and historical volatility is not indicative of future volatility. Generally, a risk rating is assigned to the ETF based on a rolling 10-year standard deviation of its returns, the return of an underlying index, or of an applicable proxy. In cases where the Manager believes that this methodology produces a result that is not indicative of the ETF's future volatility, the risk rating may be determined by the ETF's category. Risk ratings are not intended for use as a substitute for undertaking a proper and complete suitability or financial assessment by an investment advisor.

Investments in the units of the ETF are speculative, involve a degree of risk and are suitable only for persons who are able to assume the risk of losing their entire investment. The Manager, as a summary for existing investors, is providing the list below of the risks to which an investment in the ETF may be subject. **Prospective investors should read the ETF's prospectus and consider the full description of the risks contained therein before purchasing units.**

The risks to which an investment in the ETF is subject are listed below and have not changed from the list of risks found in the ETF's prospectus. A full description of each risk listed below may also be found in the prospectus. The prospectus is available at www.horizonsetfs.com or from www.sedar.com, or by contacting Horizons ETFs Management (Canada) Inc. directly via the contact information on the back page of this document.

- Inability to achieve investment objective
- Risks relating to the Replication Strategy
- Leverage risk
- General risks of investing in the HAP Nexus Hedge Fund Replication Trust
- Risks relating to use of derivatives
- Calculation, or termination, of the Hedge Fund Index
- Counterparty risk
- Forward Agreement counterparty risk
- Reliance on key personnel
- Market price and net asset value deviation risk
- Purpose of the Replication Index and Replication Strategy
- Tax-related risks
- Foreign security risk
- Foreign currency risk
- Interest rate risk
- Political, economic and social risk
- Hedging risk
- Significant redemptions
- Exchange risk
- Conflicts of interest
- Loss of limited liability
- Business and regulatory risks of alternative investment strategies
- Change in legislation
- No ownership interest
- Market for units
- Securities lending risk
- Limited history of the Hedge Fund Index

Results of Operations

For the six-month period ended June 30, 2019, units of the ETF returned 8.15%. The ETF seeks to provide a similar risk/return profile to its benchmark, the Hedge Fund Index, which returned 3.31% for the same period. The difference between the Hedge Fund Index and the ETF's performance can be explained by the fact that the asset class and sector weights of hedge fund companies and invested securities are unknown to the ETF's Investment Manager. The Replication Strategy

Management Discussion of Fund Performance (continued)

is a factor-based index replication method which uses statistical models to estimate the net exposure of the Hedge Fund Index's components to its main return-generating factors, which usually correspond to the main asset classes available on financial markets.

Market and Portfolio Review

The following discussion examines how the ETF's returns were affected by its exposure to the Fund via the Forward Agreement. Exposure to the following asset classes: equity, fixed income, foreign exchange, and commodities, allowed the ETF to offer a similar risk/return profile to the Hedge Fund Index.

Equity

The Fund's equity component performed remarkably well for the first six months of the year. In response to a longer-than-expected Sino-American trade conflict, the first half of 2019 witnessed a directional change in the monetary policy put forward by the U.S. Federal Reserve (the "Fed"). The gradually more accommodative tone adopted by the Fed offered much-needed support to financial markets. The S&P 500 answered by reporting semi-annual growth in all of its sectors, with especially strong numbers in the technology sector, and by posting its best first half of a year since 1997. This favored the strategy's long position.

On the other hand, the Fund's short position in the Emerging Markets futures contract was negatively impacted by the dovish tone adopted by many central banks to support their local economy against an uncertain outlook closely linked to geopolitical uncertainties.

Fixed Income

The strategy's net long positioning for fixed income also benefitted from the central banks' decisions to sustain growth amid an uncertain geopolitical climate. Two of the Fund's positions stood out: the long German Bund position and the long Australian 10-year bond position. An extended streak of poor manufacturing data and weak exports were sources of concerns for Germany. Moreover, the more general incapacity to generate significant improvements in growth throughout the Eurozone worried investors, who opted for the Bund's safe-haven appeal. This flight-to-quality generated positive performance for the long Bund position.

The long Australian 10-year bond position benefitted from the persisting frictions in the global trade market and from a weak domestic employment market. Strong dovish positioning and guidance provided by the Reserve Bank of Australia revived economic prospects for domestic bonds. In the same global economic context, the short exposure in the Canadian 10-year bond moved closer to positive territory but nevertheless posted first half losses due to the dovish bias of central banks globally.

Foreign Exchange

The Fund's foreign exchange component was driven mainly by expectations of rate cuts in each country. In this sense, a catalyst for the revaluation of all currencies was the forward guidance provided by the Fed. Some central banks seemed to improve their economic situation relative to the United States in the first half of 2019. Of that subset, the strategy tracks the Canadian dollar (CAD), the British Pound (GBP) and the Japanese Yen (JPY). These economies seemed to be less impacted by ongoing international trade tensions, had stable or increasing outlooks for their employment market and their central banks' forward guidance was less dovish than that of the Fed. The short positions in the CAD and in the JPY both generated losses due to their strengthening currencies. The long position in the GBP was impacted more by major political changes in United Kingdom ahead of the official Brexit date rather than by its central bank policies. Theresa May's resignation left many uncertainties with respect to Brexit and was mostly perceived negatively by currency traders. The result of this turmoil caused a loss for the Fund's GBP position.

Management Discussion of Fund Performance (continued)

Commodities

Energy future contracts realized a negative result for the first half of 2019. Gradually slower demand for oil and its by-products, combined with a shift from withdrawal to injection season (more supply) did not work in favor of the strategy's net long positioning in oil products. An undersupply of natural gas, and resulting price increases, in the first quarter negatively affected the Fund's short position in natural gas futures, resulting in losses. However, as a higher pace of natural gas production occurred in the second quarter, and natural gas prices fell, those losses turned to gains on a semi-annual basis.

Agriculture future contracts posted negative performance on a semi-annual basis. The Fund's net short bias fared well with the first quarter's favorable weather and crop conditions. However, abundant precipitation in the second quarter impaired crop conditions, causing prices to rise and, consequently, was detrimental to the Fund's short position bias. These weather-driven events ultimately caused losses that were greater than the gains made in the first quarter.

Other Operating Items and Changes in Net Assets Attributable to Holders of Redeemable Units

For the six-month period ended June 30, 2019, the ETF generated gross comprehensive income (loss) from investments and derivatives (which includes changes in the fair value of the ETF's portfolio) of $3,348,636. This compares to ($460,890) for the six-month period ended June 30, 2018. The ETF incurred management, operating and transaction expenses of $521,456 (2018 – $657,688). Of these expenses, the Manager either paid or absorbed $49,758 (2018 – $33,673) on behalf of the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at its discretion.

The ETF did not make any distributions to unitholders during the periods ended June 30, 2019 and 2018.

Leverage

The aggregate market exposure of all instruments held directly or indirectly by HHF to gain exposure to the Hedge Fund Index, calculated daily on a mark-to-market basis, can exceed HHF's net asset value, and can exceed the amount of cash and securities held as margin on deposit to support the derivatives trading activities of the Fund. Under normal market conditions, the maximum amount of leverage used, directly or indirectly, by the ETF and the Replication Strategy, expressed as a ratio of total underlying notional value of the securities and/or financial derivative positions of HHF divided by the net assets of HHF (the "Leverage Ratio"), will generally not exceed 3:1. For periods of extreme volatility of the Hedge Fund Index, the Leverage Ratio used by HHF and the Replication Strategy may exceed 3:1.

The following table discloses the minimum and maximum leverage levels for the ETF for the period ended June 30, 2019, and for the year ended December 31, 2018; the ETF's leverage at the end of those reporting periods; and, approximately what that leverage represents as a percentage of the ETF's net assets.

Period/Year Ended	Minimum Leverage	Maximum Leverage	Leverage at end of Reporting Period	Approximate Percentage of Net Assets
June 30, 2019	nil	2.31:1	1.05:1	105%
December 31, 2018	1.97:1	2.52:1	2.29:1	229%

Management Discussion of Fund Performance (continued)

Presentation

The attached financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Any mention of total net assets, net assets, net asset value or increase (decrease) in net assets in the financial statements and/or management report of fund performance is referring to net assets or increase (decrease) in net assets attributable to holders of redeemable units as reported under IFRS.

Recent Developments

Other than indicated below, there are no recent industry, management or ETF related developments that are pertinent to the present and future of the ETF.

Potential Impact from the 2019 Federal Budget

The Manager is continuing to assess the potential impact of proposed legislative changes tabled by the Minister of Finance in the Federal Budget on March 19, 2019, and updated on July 30, 2019, on certain of its exchange traded funds that principally use derivatives as part of meeting their investment objectives and strategies. The proposed changes deal with how certain investment funds are able to allocate income and capital gains to redeeming entities. If the changes are enacted as currently drafted, and the ETF was to continue to carry on operations after its 2019 taxation year in the same manner as it does currently, the proposed legislative changes could potentially result in taxable distributions of income to the unitholders of the ETF in respect of periods after its 2019 taxation year, and/or capital gains in respect of periods after its 2020 taxation year.

Related Party Transactions

Certain services have been provided to the ETF by related parties and those relationships are described below.

Manager, Trustee and Investment Manager

The manager, trustee and investment manager of the ETF is Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7, a corporation incorporated under the laws of Ontario.

If the ETF invests in other Horizons Management ETFs, Horizons Management may receive management fees in respect of the ETF's assets invested in such Horizons Management ETFs. In addition, any management fees paid to the Manager (described in detail on page 9) are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income in the attached financial statements of the ETF. The management fees payable by the ETF as at June 30, 2019, and December 31, 2018, are disclosed in the statements of financial position.

Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the current interim reporting period and for the past five fiscal years. This information is derived from the ETF's audited annual financial statements and the current unaudited interim fincancial statements. Please see the front page for information on how you may obtain the annual or interim financial statements.

The ETF's Net Assets per Unit

Period [1]		**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Net assets, beginning of period	$	13.06	14.53	13.71	13.40	13.25	11.55
Increase (decrease) from operations:							
Total revenue		0.14	0.23	0.11	0.08	0.08	0.09
Total expenses		(0.20)	(0.37)	(0.28)	(0.24)	(0.24)	(0.23)
Realized gains (losses) for the period		0.42	0.27	0.51	0.56	(0.03)	3.34
Unrealized gains (losses) for the period		0.85	(1.48)	0.53	(0.17)	0.35	(1.53)
Total increase (decrease) from operations [2]		1.21	(1.35)	0.87	0.23	0.16	1.67
Distributions:							
From net realized capital gains		–	–	–	–	–	(0.56)
Total distributions [3]		–	–	–	–	–	(0.56)
Net assets, end of period [4]	$	14.12	13.06	14.53	13.71	13.40	13.25

1. This information is derived from the ETF's unaudited interim financial statements and audited annual financial statements.
2. Net assets per unit and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.
3. Income, dividend and/or return of capital distributions, if any, are paid in cash, reinvested in additional units of the ETF, or both. Capital gains distributions, if any, may or may not be paid in cash. Non-cash capital gains distributions are reinvested in additional units of the ETF and subsequently consolidated. They are reported as taxable distributions and increase each unitholder's adjusted cost base for their units. Neither the number of units held by the unitholder, nor the net asset per unit of the ETF change as a result of any non-cash capital gains distributions. Distributions classified as return of capital, if any, decrease each unitholder's adjusted cost base for their units. The characteristics of distributions, if any, are determined subsequent to the end of the ETF's tax year. Until such time, distributions are classified as from net investment income (excluding dividends) for reporting purposes.
4. The Financial Highlights are not intended to act as a continuity of the opening and closing net assets per unit.

Financial Highlights (continued)

Ratios and Supplemental Data

Period (1)		2019	2018	2017	2016	2015	2014
Total net asset value (000's)	$	26,345	46,879	44,710	36,660	48,822	30,752
Number of units outstanding (000's)		1,866	3,591	3,078	2,674	3,643	2,320
Management expense ratio (2)(5)		1.22%	1.22%	1.22%	1.25%	1.23%	1.20%
Management expense ratio excluding proportion of expenses from underlying investment funds		0.55%	0.54%	0.54%	0.54%	0.54%	0.52%
Management expense ratio before waivers and absorptions (3)		1.90%	1.54%	1.58%	1.59%	1.57%	1.95%
Trading expense ratio (4)(5)		2.57%	2.23%	1.74%	1.46%	1.41%	1.42%
Trading expense ratio excluding proportion of costs from underlying investment funds		2.38%	2.04%	1.47%	1.27%	1.31%	1.36%
Portfolio turnover rate (6)		0.00%	0.00%	0.00%	0.00%	0.00%	0.26%
Net asset value per unit, end of period	$	14.12	13.06	14.53	13.71	13.40	13.25
Closing market price	$	14.10	13.07	14.58	13.77	13.49	13.32

1. This information is provided as at June 30, 2019, and December 31 of the other years shown.
2. Management expense ratio is based on total expenses, including sales tax, (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Out of their management fees, the Manager pays for such services to the ETF as portfolio manager compensation and marketing.
3. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at its discretion.
4. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
5. The ETF's management expense ratio (MER) and trading expense ratio (TER) include an estimated proportion of the MER and TER for any underlying investment funds held in the ETF's portfolio during the year.
6. The ETF's portfolio turnover rate indicates how actively its portfolio investments are traded. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. Generally, the higher the portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

Financial Highlights (continued)

Management Fees

The Manager provides, or oversees the provision of, administrative services required by the ETF and the Fund (together, the "Funds") including, but not limited to: negotiating contracts with certain third-party service providers, such as portfolio managers, custodians, registrars, transfer agents, auditors and printers; authorizing the payment of operating expenses incurred on behalf of the Funds; arranging for the maintenance of accounting records for the Funds; preparing reports to unitholders and to the applicable securities regulatory authorities; calculating the amount and determining the frequency of distributions by the Funds; preparing financial statements, income tax returns and financial and accounting information as required by the Funds; ensuring that unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Funds comply with all other regulatory requirements, including the continuous disclosure obligations of the Funds under applicable securities laws; administering purchases, redemptions and other transactions in units of the Funds; and dealing and communicating with unitholders of the Funds. The Manager provides office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the Funds. The Manager also monitors the investment strategies of the Funds to ensure that the ETF and the Fund each complies with its investment objectives, investment strategies and investment restrictions and practices.

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.45%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears.

The Manager also receives a monthly fee at the annual rate of 0.50%, plus applicable sales taxes, of the net asset value of the HAP Nexus Hedge Fund Replication Trust, calculated and accrued daily and payable monthly in arrears for services similar to those provided to the ETF. The aggregate annual management fee is approximately 0.95% of the net asset value of the ETF.

The Replication Strategy Weightings Provider is compensated for its services by the Manager without any further cost to the ETF or to the Fund.

The table below details, in percentage terms, the services received by the ETF from the Manager in consideration of the management fees paid during the period.

Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
3%	35%	62%

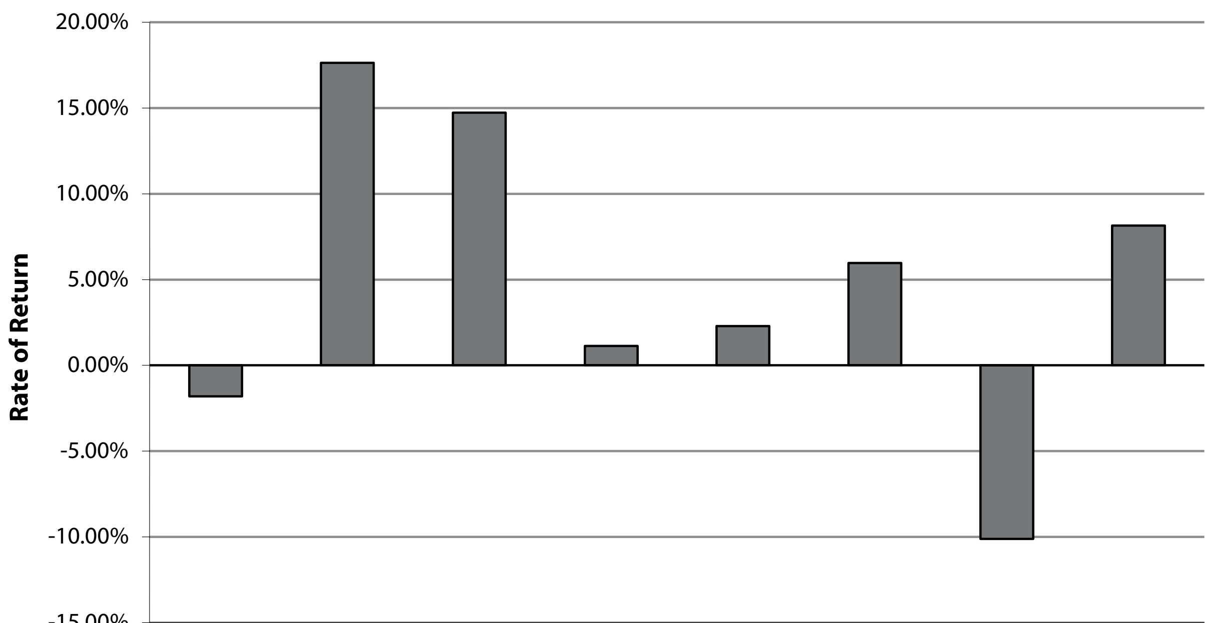
Fees related to the operation of the Forward Agreements are not included in the management fees or other operating expenses of the ETF. Forward fees related to the Forward Agreements, as described in the "Fees and Expenses" section of the ETF's prospectus, are payable to the Forward Counterparty based on the net assets of the HAP Nexus Hedge Fund Replication Trust. For the purposes of financial reporting, these expenses have been disclosed in "transaction costs" in the statement of comprehensive income and are included in the trading expense ratio in the management report of fund performance.

Past Performance

Commissions, trailing commissions, management fees, expenses and applicable sales taxes all may be associated with an investment in the ETF. Please read the prospectus before investing. The indicated rates of return are the historical total returns including changes in unit value and reinvestment of all distributions, if any, and do not take into account sales, redemptions, distributions or optional charges or income taxes payable by any investor that would have reduced returns. An investment in the ETF is not guaranteed. Its value changes frequently and past performance may not be repeated. The ETF's performance numbers assume that all distributions, if any, are reinvested in additional units of the ETF. If you hold this ETF outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes whether paid to you in cash or reinvested in additional units. The amount of the reinvested taxable distributions is added to the adjusted cost base of the units that you own. This would decrease your capital gain or increase your capital loss when you later redeem from the ETF, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding your personal tax situation.

Year-by-Year Returns

The following chart presents the ETF's performance for the periods shown, and illustrates how the performance has changed from period to period. In percentage terms, the chart shows how much an investment made on the first day of the financial period would have grown or decreased by the last day of the financial period.



	2012	2013	2014	2015	2016	2017	2018	2019
HHF	-1.81%	17.64%	14.74%	1.12%	2.29%	5.96%	-10.11%	8.15%

The ETF effectively began operations on April 26, 2012.

Summary of Investment Portfolio

As at June 30, 2019

Asset Mix		Net Asset Value	% of ETF's Net Asset Value
Investments*	$	2,182,775	8.28%
Cash and Cash Equivalents held for Collateral		24,096,735	91.47%
Cash and Cash Equivalents - Other		94,799	0.36%
Other Assets less Liabilities		(29,172)	-0.11%
	$	**26,345,137**	**100.00%**

Top Holdings	% of ETF's Net Asset Value
Cash and Cash Equivalents held for Collateral	91.47%
Forward Agreements (net notional value $26,121,608)*	8.28%
Cash and Cash Equivalents - Other	0.36%

* The ETF has exposure to the investments of the HAP Nexus Hedge Fund Replication Trust through the Forward Agreements. Please see the supplementary Summary of Investment Portfolio of the HAP Nexus Hedge Fund Replication Trust on the following page for more detail on that fund's investments.

The summary of investment portfolio may change due to the ongoing portfolio transactions of the ETF. The most recent financial statements are available at no cost by calling 1-866-641-5739, by writing to us at 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7, by visiting our website at www.horizonsetfs.com or through SEDAR at www.sedar.com.

Summary of Investment Portfolio (supplementary - HAP Nexus Hedge Fund Replication Trust)

As at June 30, 2019

Asset & Sector Mix	Net Asset Value	% of Fund's Net Asset Value
Long Positions		
Futures Contracts–Index Speculative*	$ 193,689	0.74%
Futures Contracts–Treasury Bond Speculative*	37,634	0.14%
Futures Contracts–Commodity Speculative*	23,102	0.09%
Futures Contracts–Currency Speculative*	319	0.00%
Currency Forward Hedge*	(59)	0.00%
Cash and Cash Equivalents	18,656,314	71.42%
Margin Deposits	7,288,380	27.90%
Other Assets less Liabilities	(5,405)	-0.02%
Short Positions		
Futures Contracts–Treasury Bond Speculative*	305	0.00%
Futures Contracts–Commodity Speculative*	(612)	0.00%
Futures Contracts–Currency Speculative*	(5,546)	-0.02%
Futures Contracts–Index Speculative*	(65,943)	-0.25%
	$ 26,122,178	**100.00%**

*Positions in futures and/or forward contracts are disclosed as the gain/(loss) that would be realized if the contracts were closed out on the date of this report.

Summary of Investment Portfolio (supplementary - HAP Nexus Hedge Fund Replication Trust) (continued)

As at June 30, 2019

Top Holdings**	% of Fund's Net Asset Value
Long Positions	
S&P 500 E-Mini Index Futures	46.49%
Australian 10-Year Treasury Bond Futures	13.15%
Japanese 10-Year Mini Bond Futures	7.87%
Euro-Bund Futures	6.89%
U.S. 2-Year Treasury Bond Futures	5.39%
NY Harbor ULSD Futures	1.23%
Australian 3-Year Treasury Bond Futures	0.81%
Gold 100oz. Futures	0.71%
British Pound Currency Futures	0.40%
Crude Oil Futures	0.29%
Wheat Futures	0.13%
Short Positions	
Copper Futures	-0.34%
Natural Gas Futures	-0.81%
Soybean Futures	-0.91%
Australian Dollar Currency Futures	-1.06%
U.S. 10-Year Treasury Bond Futures	-1.28%
Silver Futures	-1.92%
Japanese Yen Currency Futures	-3.51%
Canadian 10-Year Treasury Bond Futures	-4.38%
MSCI Emerging Markets Index Futures	-8.45%

** All futures positions are speculative in nature. Positions in futures contracts are disclosed in terms of their notional exposure. Aggregate notional exposure of futures contracts equals 106.02% of the Fund's NAV.

The summaries of investment portfolio may change due to the ongoing portfolio transactions of the ETF and of the Fund. The most recent financial statements are available at no cost by calling 1-866-641-5739, or (416) 933-5745by writing to us at 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7, by visiting our website at www.horizonsetfs.com or through SEDAR at www.sedar.com.

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Horizons Morningstar Hedge Fund Index ETF (the "ETF") are the responsibility of the manager and trustee to the ETF, Horizons ETFs Management (Canada) Inc. (the "Manager"). They have been prepared in accordance with International Financial Reporting Standards using information available and include certain amounts that are based on the Manager's best estimates and judgments.

The Manager has developed and maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to produce relevant, reliable and timely financial information, including the accompanying financial statements.

These financial statements have been approved by the Board of Directors of the Manager.

Steven J. Hawkins
Director
Horizons ETFs Management (Canada) Inc.

Peter Lee
Director
Horizons ETFs Management (Canada) Inc.

NOTICE TO UNITHOLDERS

The Auditors of the ETF have not reviewed these Financial Statements.

Horizons ETFs Management (Canada) Inc., the Manager of the ETF, appoints an independent auditor to audit the ETF's annual financial statements.

The ETF's independent auditors have not performed a review of these interim financial statements in accordance with Canadian generally accepted auditing standards.

Statements of Financial Position (unaudited)

As at June 30, 2019 and December 31, 2018

		2019		2018
Assets				
Cash and cash equivalents held for collateral	$	24,096,735	$	46,676,564
Cash and cash equivalents - other		94,799		120,578
Amounts receivable relating to accrued income		31,802		56,715
Derivative assets (note 3)		2,220,755		169,440
Total assets		**26,444,091**		**47,023,297**
Accrued management fees		10,792		20,412
Accrued operating expenses		50,182		104,591
Derivative liabilities (note 3)		37,980		19,137
Total liabilities		**98,954**		**144,140**
Total net assets (note 2)	**$**	**26,345,137**	**$**	**46,879,157**
Number of redeemable units outstanding (note 10)		1,865,559		3,590,559
Total net assets per unit	$	14.12	$	13.06

(See accompanying notes to financial statements)

Approved on behalf of the Board of Directors of the Manager:

Steven J. Hawkins
Director

Peter Lee
Director

Statements of Comprehensive Income (unaudited)

For the Periods Ended June 30,

		2019		2018
Income				
Interest income for distribution purposes	$	321,082	$	367,726
Net realized gain on sale of investments and derivatives		995,082		–
Net change in unrealized appreciation (depreciation) of investments and derivatives		2,032,472		(828,616)
		3,348,636		**(460,890)**
Expenses (note 11)				
Management fees		80,289		127,429
Audit fees		3,731		6,426
Independent Review Committee fees		371		389
Custodial and fund valuation fees		19,267		16,371
Legal fees		12,396		–
Securityholder reporting costs		8,380		9,638
Administration fees		13,492		12,833
Transaction costs		383,528		484,532
Other expenses		2		70
		521,456		**657,688**
Amounts that were payable by the investment fund that were paid or absorbed by the Manager		(49,758)		(33,673)
		471,698		**624,015**
Increase (decrease) in net assets for the period	**$**	**2,876,938**	**$**	**(1,084,905)**
Increase (decrease) in net assets per unit	$	1.21	$	(0.30)

(See accompanying notes to financial statements)

Statements of Changes in Financial Position (unaudited)

For the Periods Ended June 30,

		2019		2018
Total net assets at the beginning of the period	$	46,879,157	$	44,709,948
Increase (decrease) in net assets		2,876,938		(1,084,905)
Redeemable unit transactions				
Proceeds from the issuance of securities of the investment fund		1,311,930		12,450,017
Aggregate amounts paid on redemption of securities of the investment fund		(24,722,888)		–
Total net assets at the end of the period	**$**	**26,345,137**	**$**	**56,075,060**

(See accompanying notes to financial statements)

Statements of Cash Flows (unaudited)

For the Periods Ended June 30,

	2019	2018
Cash flows from operating activities:		
Increase (decrease) in net assets for the period	$ 2,876,938	$ (1,084,905)
Adjustments for:		
Net realized gain on sale of investments and derivatives	(995,082)	–
Net change in unrealized depreciation (appreciation) of investments and derivatives	(2,032,472)	828,616
Proceeds from the sale of investments	995,082	–
Amounts receivable relating to accrued income	24,913	(16,283)
Accrued expenses	(64,029)	37,378
Net cash from (used in) operating activities	**805,350**	**(235,194)**
Cash flows from financing activities:		
Amount received from the issuance of units	1,311,930	12,450,017
Amount paid on redemptions of units	(24,722,888)	–
Net cash from (used in) financing activities	**(23,410,958)**	**12,450,017**
Net increase (decrease) in cash and cash equivalents during the period	(22,605,608)	12,214,823
Cash and cash equivalents at beginning of period	46,797,142	39,197,298
Cash and cash equivalents at end of period	**$ 24,191,534**	**$ 51,412,121**
Interest received, net of withholding taxes	$ 345,995	$ 349,877
Total Cash and Cash Equivalents are composed of:		
Cash and cash equivalents held for collateral	$ 24,096,735	$ 51,375,173
Cash and cash equivalents - other	94,799	36,948
Cash and cash equivalents at end of period	**$ 24,191,534**	**$ 51,412,121**

(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2019

Security	Fair Value
FORWARD AGREEMENTS (8.28%)	
Positive Exposure Forward Agreement (8.43%)	
Forward Agreement	
Payment Date October 1, 2021 (notional value $26,508,077)	$ 2,220,755
Negative Exposure Forward Agreement (-0.15%)	
Forward Agreement	
Payment Date October 15, 2021 (notional value $386,469)	(37,980)
TOTAL FORWARD AGREEMENTS	**2,182,775**
CASH AND CASH EQUIVALENTS HELD FOR COLLATERAL (91.47%)	**24,096,735**
TOTAL INVESTMENT PORTFOLIO (99.75%) (note 7)	**$ 26,279,510**
Cash and cash equivalents - other (0.36%)	94,799
Other assets less liabilities (-0.11%)	(29,172)
TOTAL NET ASSETS (100.00%)	**$ 26,345,137**

(See accompanying notes to financial statements)

Schedule of Investments (supplementary – HAP Nexus Hedge Fund Replication Trust) (unaudited)

As at June 30, 2019

Security	Contracts	Average Cost	Fair Value
DERIVATIVES (0.70%)			
Index Futures (0.49%)			
Long Positions (0.74%)			
S&P 500 E-Mini Index Futures September 2019 at US$2,944.20. Notional Value US$9,274,230	63	$ –	$ 193,689
Short Positions (-0.25%)			
MSCI Emerging Markets Index Futures September 2019 at US$1,053.40. Notional Value (US$1,685,440)	(32)	–	(65,943)
Treasury Bond Futures (0.14%)			
Long Positions (0.14%)			
Australian 3-Year Treasury Bond Futures September 2019 at AU$115.00. Notional Value AU$229,995	2	–	369
Australian 10-Year Treasury Bond Futures September 2019 at AU$143.65. Notional Value AU$3,734,903	26	–	21,657
Euro-Bund Futures September 2019 at EUR€172.74. Notional Value EUR€1,209,180	7	–	9,262
Japanese 10-Year Mini Bond Futures September 2019 at JPY¥153.90. Notional Value JPY¥169,290,000	11	–	5,660
U.S. 2-Year Treasury Bond Futures September 2019 at US$107.59. Notional Value US$1,075,898	5	–	686
		–	37,634
Short Positions (0.00%)			
Canadian 10-Year Treasury Bond Futures September 2019 at C$142.93. Notional Value (C$1,143,440)	(8)	–	1,860
U.S. 10-Year Treasury Bond Futures September 2019 at US$127.97. Notional Value (US$255,938)	(2)	–	(1,555)
		–	305
Commodity Futures (0.09%)			
Long Positions (0.09%)			
Crude Oil Futures August 2019 at US$58.47. Notional Value US$58,470	1	–	7,635
Gold 100oz. Futures August 2019 at US$1,413.70. Notional Value US$141,370	1	–	9,154
NY Harbor ULSD Futures August 2019 at US$193.94. Notional Value US$244,364	3	–	7,606
Wheat Futures September 2019 at US$527.25. Notional Value US$26,363	1	–	(1,293)
		–	23,102

Schedule of Investments (supplementary – HAP Nexus Hedge Fund Replication Trust) (unaudited) (continued)

As at June 30, 2019

Security	Contracts	Average Cost	Fair Value
Short Positions (0.00%)			
Copper Futures September 2019 at US$271.35. Notional Value (US$67,838)	(1)	–	82
Natural Gas Futures August 2019 at US$2.31. Notional Value (US$161,560)	(7)	–	(12,742)
Silver Futures September 2019 at US$15.34. Notional Value (US$383,525)	(5)	–	7,497
Soybean Futures August 2019 at US$904.50. Notional Value (US$180,900)	(4)	–	4,551
		–	(612)
Currency Futures (-0.02%)			
Long Positions (0.00%)			
British Pound Currency Futures September 2019 at US$127.49. Notional Value US$79,681	1	–	319
Short Positions (-0.02%)			
Australian Dollar Currency Futures September 2019 at US$70.36. Notional Value (US$211,080)	(3)	–	(2,108)
Japanese Yen Currency Futures September 2019 at US$93.31. Notional Value (US$699,825)	(6)	–	(3,438)
		–	(5,546)
Currency Forwards (0.00%)			
Currency forward contract to buy C$798,380 for US$600,000 maturing July 11, 2019		–	12,804
Currency forward contract to buy US$500,000 for C$667,510 maturing July 11, 2019		–	(12,863)
		–	(59)
TOTAL DERIVATIVES		**–**	**182,889**
TOTAL LONG POSITION		**–**	**254,685**
TOTAL SHORT POSITION		**–**	**(71,796)**
TOTAL INVESTMENT PORTFOLIO (0.70%)		**$ –**	**$ 182,889**
Cash and cash equivalents (71.42%)			18,656,314
Margin deposits (27.90%)			7,288,380
Other assets less liabilities (-0.02%)			(5,405)
TOTAL NET ASSETS (100.00%)			**$ 26,122,178**

Notes to Financial Statements (unaudited)
June 30, 2019

1. REPORTING ENTITY

Horizons Morningstar Hedge Fund Index ETF ("HHF" or the "ETF") is an investment trust established under the laws of the Province of Ontario by Declaration of Trust and effectively began operations on April 26, 2012. The address of the ETF's registered office is: c/o Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

The ETF is offered for sale on a continuous basis by its prospectus in class E units ("Class E") which trade on the Toronto Stock Exchange ("TSX") under the symbol HHF. An investor may buy or sell units of the ETF on the TSX only through a registered broker or dealer in the province or territory where the investor resides. Investors are able to trade units of the ETF in the same way as other securities traded on the TSX, including by using market orders and limit orders and may incur customary brokerage commissions when buying or selling units.

HHF seeks investment results, before fees, expenses, distributions, brokerage commissions and other transaction costs, that replicate the performance of the Morningstar Broad Hedge Fund Index (the "Hedge Fund Index"), hedged to the Canadian dollar. The ETF uses an index replication strategy that provides exposure to futures contracts, exchange traded funds, money market instruments and cash. The ETF does not invest, directly or indirectly, in the constituent hedge funds comprising the Hedge Fund Index.

In order to achieve its investment objectives, HHF has entered into multiple forward purchase and sale agreements (see note 7) with an acceptable counterparty, pursuant to which the ETF has gained exposure to the investment portfolio of the HAP Nexus Hedge Fund Replication Trust (the "Fund"). Since neither HHF, nor the Fund, invest directly or indirectly, in the constituent hedge funds comprising the Hedge Fund Index, the Fund seeks to track the performance of the Hedge Fund Index by using the Nexus Hedge Fund Index Replication Strategy (the "Replication Strategy"). The Replication Strategy is a factor-based index replication method which uses statistical models to estimate the net exposure of the Hedge Fund Index's components to its main return-generating factors, which usually correspond to the main asset classes available on financial markets. National Bank of Canada ("NBC" or the "Replication Strategy Weightings Provider") owns rights to use the Replication Strategy which will be implemented by the Fund's investment manager. Use of the Replication Strategy is licensed from NBC. The Fund was derivatives, including futures contracts and forwards, for hedging purposes. The Fund is primarily invested in a basket of liquid futures contracts, money market instruments, cash, and, from time to time, exchange traded funds ("ETFs").

Horizons ETFs Management (Canada) Inc. is the manager, trustee and investment manager of the ETF and of the Fund ("Horizons Management", the "Manager" or the "Investment Manager"). The Investment Manager is responsible for implementing the investment strategies of the ETF and of the Fund.

2. BASIS OF PREPARATION

(i) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Any mention of total net assets, net assets, net asset value or increase (decrease) in net assets is referring to net assets or increase (decrease) in net assets attributable to holder of redeemable units as reported under IFRS.

These financial statements were authorized for issue on August 14, 2019, by the Board of Directors of the Manager.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value though profit or loss, which are measured at fair value.

(iii) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the ETF's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments

(i) Recognition, initial measurement and classification

The ETF is subject to IFRS 9, Financial Instruments ("IFRS 9") for the classification and measurement requirements for financial instruments, including impairment on financial assets and hedge accounting.

This standard requires assets to be classified based on the ETF's business model for managing the financial assets and contractual cash flow characteristics of the financial assets. The standard includes three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income, and fair value through profit and loss ("FVTPL"). IFRS 9 requires classification of debt instruments, if any, based solely on payments of principals and interests, and business model tests.

The ETF's financial assets and financial liabilities are managed and its performance is evaluated on a fair value basis. The contractual cash flows of the ETF's debt securities, if any, consist solely of principal and interest, however, these securities are neither held in held-to-collect, or held-to-collect-and-sale business models in IFRS 9.

Financial assets and financial liabilities at FVTPL are initially recognized on the trade date, at fair value (see below), with transaction costs recognized in the statements of comprehensive income. Other financial assets and financial liabilities are recognized on the date on which they are originated at fair value.

The ETF classifies financial assets and financial liabilities into the following categories:

- Financial assets mandatorily classified at fair value through profit or loss: debt securities, equity investments and derivative financial instruments
- Financial assets at amortized cost: All other financial assets
- Financial liabilities classified at fair value through profit or loss: derivative financial instruments and securities sold short, if any
- Financial liabilities at amortized cost: all other financial liabilities

Notes to Financial Statements (unaudited) (continued)
June 30, 2019

(ii) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the ETF has access at that date. The fair value of a liability reflects its non-performance risk.

Investments are valued at fair value as of the close of business on each day upon which a session of the TSX is held ("Valuation Date") and based on external pricing sources to the extent possible. Investments held that are traded in an active market through recognized public stock exchanges, over-the-counter markets, or through recognized investment dealers, are valued at their closing sale price. However, such prices may be adjusted if a more accurate value can be obtained from recent trading activity or by incorporating other relevant information that may not have been reflected in pricing obtained from external sources. Short-term investments, including notes and money market instruments, are valued at amortized cost which approximates fair value.

Investments held that are not traded in an active market, including some derivative financial instruments, are valued using observable market inputs where possible, on such basis and in such manner as established by the Manager. Derivative financial instruments are recorded in the statements of financial position according to the gain or loss that would be realized if the contracts were closed out on the Valuation Date. Margin deposits, if any, are included in the schedule of investments as margin deposits. See also the summary of fair value measurements in note 6.

Fair value policies used for financial reporting purposes are the same as those used to measure the net asset value ("NAV") for transactions with unitholders.

The fair value of other financial assets and liabilities approximates their carrying values due to the short-term nature of these instruments.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit or loss and foreign exchange gains and losses.

(iv) Specific instruments

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term, interest bearing notes with a term to maturity of less than three months from the date of purchase. Cash and cash equivalents held for collateral consists of cash and short-term investments posted as collateral to the Forward Agreements as described in note 7.

Forward foreign exchange contracts

Forward foreign exchange contracts, if any, are valued at the current market value thereof on the Valuation Date. The value of these forward contracts is the gain or loss that would be realized if, on the Valuation Date, the positions were to be closed out and recorded as derivative assets and/or liabilities in the statements of financial position and as a net change in unrealized appreciation (depreciation) of investments and derivatives in the statements of comprehensive income. When the forward contracts are closed out or mature, realized gains or losses on forward contracts are recognized and are included in the statements of comprehensive income in net realized gain (loss) on sale of investments and derivatives. The Canadian dollar value of forward foreign exchange contracts is determined using forward currency exchange rates supplied by an independent service provider.

Redeemable units

The redeemable units are measured at the present value of the redemption amounts and are considered a residual amount of the net assets attributable to holders of redeemable units. They are classified as financial liabilities as a result of the ETF's requirement to distribute net income and capital gains to unitholders.

(b) Investment income

Investment transactions are accounted for as of the trade date. Realized gains and losses from investment transactions are calculated on a weighted average cost basis. The difference between fair value and average cost, as recorded in the financial statements, is included in the statements of comprehensive income as part of the net change in unrealized appreciation (depreciation) of investments and derivatives. Interest income for distribution purposes from investments in bonds and short-term investments represents the coupon interest received by the ETF accounted for on an accrual basis. Dividend income is recognized on the ex-dividend date. Distribution income from investments in other funds or ETFs, if any, is recognized when earned.

Income from derivatives is shown in the statements of comprehensive income as net realized gain (loss) on sale of investments and derivatives; net change in unrealized appreciation (depreciation) of investments and derivatives; and, interest income for distribution purposes, in accordance with its nature.

Income from securities lending, if any, is included in "Securities lending income" on the statements of comprehensive income and is recognized when earned. Any securities on loan continue to be displayed in the schedule of investments and the market value of the securities loaned and collateral held is determined daily (see note 9).

If the ETF incurs withholding taxes imposed by certain countries on investment income and capital gains, such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the statements of comprehensive income.

(c) Foreign currency

Transactions in foreign currencies, if any, are translated into the ETF's reporting currency using the exchange rate prevailing on the trade date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the period-end exchange rate. Foreign exchange gains and losses are presented as "Net realized gain (loss) on foreign exchange", except for those arising from financial instruments at fair value through profit or loss, which are recognized as a component within "Net realized gain (loss) on sale of investments and derivatives" and "Net change in unrealized appreciation (depreciation) of investments and derivatives" in the statements of comprehensive income.

(d) Cost basis

The cost of portfolio investments is determined on an average cost basis.

Notes to Financial Statements (unaudited) (continued)
June 30, 2019

(e) Increase (decrease) in net assets attributable to holders of redeemable units per unit

The increase (decrease) in net assets per unit in the statements of comprehensive income represents the change in net assets attributable to holders of redeemable units from operations divided by the weighted average number of units of the ETF outstanding during the reporting period. For management fees please refer to note 11.

(f) Unitholder transactions

The value at which units are issued or redeemed is determined by dividing the net asset value of the class by the total number of units outstanding of that class on the Valuation Date. Amounts received on the issuance of units and amounts paid on the redemption of units are included in the statements of changes in financial position.

(g) Amounts receivable (payable) relating to portfolio assets sold (purchased)

In accordance with the ETF's policy of trade date accounting for sale and purchase transactions, sales/purchase transactions awaiting settlement represent amounts receivable/payable for securities sold/purchased, but not yet settled as at the reporting date.

(h) Net assets attributable to holders of redeemable units per unit

Net assets attributable to holders of redeemable units per unit is calculated by dividing the ETF's net assets attributable to holders of redeemable units by the number of units of the ETF outstanding on the Valuation Date.

(i) Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, fees incurred in conjunction with the ETF's forward agreements, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs are expensed and are included in "Transaction costs" in the statements of comprehensive income.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these financial statements, the Manager has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The ETF may hold financial instruments that are not quoted in active markets, including derivatives. The determination of the fair value of these instruments is the area with the most significant accounting judgements and estimates that the ETF has made in preparing the financial statements. See note 6 for more information on the fair value measurement of the ETF's financial instruments.

5. FINANCIAL INSTRUMENTS RISK

In the normal course of business, the ETF's investment activities expose it to a variety of financial risks. The Manager seeks to minimize potential adverse effects of these risks for the ETF's performance by employing professional, experienced

Notes to Financial Statements (unaudited) (continued)
June 30, 2019

portfolio advisors, by daily monitoring of the ETF's positions and market events, and periodically may use derivatives to hedge certain risk exposures. To assist in managing risks, the Manager maintains a governance structure that oversees the ETF's investment activities and monitors compliance with the ETF's stated investment strategies, internal guidelines and securities regulations.

Please refer to the most recent prospectus for a complete discussion of the risks attributed to an investment in the units of the ETF. Significant financial instrument risks that are relevant to the ETF and an analysis of how they are managed are presented below.

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the ETF's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the ETF's reporting currency, the Canadian dollar, will fluctuate due to changes in exchange rates and adversely impact the ETF's income, cash flows or fair values of its investment holdings.

The HAP Nexus Hedge Fund Replication Trust invests in securities denominated in currencies other than its reporting currency, the Canadian dollar. Consequently, the ETF, through the Forward Agreements and/or through its direct investments, is exposed to risks that the exchange rate of the Canadian dollar relative to the other currencies may change in a manner which has an adverse effect on the reported value of that portion of the ETF's assets.

As at June 30, 2019, and December 31, 2018, the ETF did not have any material exposure to foreign currencies due to the hedging strategies of the ETF and/or the Fund.

(ii) Interest rate risk

The ETF may be exposed to the risk that the fair value of future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In general, the value of interest-bearing financial instruments will rise if interest rates fall, and conversely, will generally fall if interest rates rise. There is minimal sensitivity to interest rate fluctuation on cash and cash equivalents invested at short-term market rates since those securities are usually held to maturity and are short term in nature.

As at June 30, 2019, and December 31, 2018, neither the ETF nor the Fund held any long-term debt instruments and did not have any exposure to interest rate risk.

(iii) Other market risk

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. The Manager has imposed internal risk management controls on the ETF and the Fund which are intended to limit the loss on their trading activities.

Notes to Financial Statements (unaudited) (continued)

June 30, 2019

The table below shows the estimated impact on the ETF of a 1% increase or decrease in a broad-based market index, based on historical correlation, with all other factors remaining constant, as at the dates shown. In practice, actual results may differ from this sensitivity analysis and the difference could be material. The historical correlation may not be representative of future correlation.

Comparative Index	June 30, 2019	December 31, 2018
S&P 500®	$208,082	$367,284

(b) Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default of a counterparty on its obligation to the ETF. It arises principally from debt securities held, and also from derivative financial assets, cash and cash equivalents, and other receivables.

The ETF's maximum credit risk exposure as at the reporting date is represented by the respective carrying amounts of the financial assets in the statement of financial position, including any positive mark-to-market of the ETF's forward agreement(s). This amount is included in "Derivative assets" (if any) in the statement of financial position. The credit risk related to any one forward agreement is concentrated in the counterparty to that particular forward agreement.

Credit risk is managed by dealing with counterparties the Manager believes to be creditworthy and which meet the designated rating requirements of National Instrument 81-102 ("NI 81-102"), please see note 7.

(c) Liquidity risk

Liquidity risk is the risk that the ETF will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The ETF's policy and the Investment Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of shares, without incurring unacceptable losses or risking damage to the ETF's reputation. Generally, liabilities of the ETF are due within 90 days. Liquidity risk is managed by investing the majority of the ETF's and Fund's assets in investments that are traded in an active market and can be readily disposed. The Fund is considered to be relatively liquid which means that the settlement of the Forward Agreements can occur in an orderly manner, if needed. However, unexpectedly heavy demand for redemptions of the ETF's units could result in the ETF and the Fund having to dispose of investments at a time when it is not optimal to do so in order to meet such redemption requests.

6. FAIR VALUE MEASUREMENT

Below is a classification of fair value measurements of the ETF's investments based on a three level fair value hierarchy and a reconciliation of transactions and transfers within that hierarchy. The hierarchy of fair valuation inputs is summarized as follows:

- Level 1: securities that are valued based on quoted prices in active markets.
- Level 2: securities that are valued based on inputs other than quoted prices that are observable, either directly as prices, or indirectly as derived from prices.
- Level 3: securities that are valued with significant unobservable market data.

Notes to Financial Statements (unaudited) (continued)

June 30, 2019

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The following is a summary of the inputs used as at June 30, 2019, and December 31, 2018, in valuing the ETF's investments and derivatives carried at fair values:

	June 30, 2019			December 31, 2018		
	Level 1 ($)	Level 2 ($)	Level 3 ($)	Level 1 ($)	Level 2 ($)	Level 3 ($)
Financial Assets						
Forward Agreements	–	2,220,755	–	–	169,440	–
Total Financial Assets	**–**	**2,220,755**	**–**	**–**	**169,440**	**–**
Financial Liabilities						
Forward Agreements	–	(37,980)	–	–	(19,137)	–
Total Financial Liabilities	**–**	**(37,980)**	**–**	**–**	**(19,137)**	**–**
Net Financial Assets and Liabilities	**–**	**2,182,775**	**–**	**–**	**150,303**	**–**

There were no significant transfers made between Levels 1 and 2 as a result of changes in the availability of quoted market prices or observable market inputs during the period or years shown. In addition, there were no investments or transactions classified in Level 3 for the period ended June 30, 2019, and for the year ended December 31, 2018.

7. FORWARD AGREEMENTS AND COLLATERAL PLEDGED

(a) Forward Agreements

In order to achieve its investment objective, the ETF has entered into multiple forward agreements (each a "Forward Agreement") each with a bank counterparty ("Forward Counterparty"). The Forward Agreements provide both positive and negative exposure to the HAP Nexus Hedge Fund Replication Trust. The ETF seeks to achieve its investment objective through the net exposure of these Forward Agreements ("Net Notional Exposure"). The ETF generally invests its assets in interest bearing accounts and short-term Canadian federal or provincial treasury bills ("T-bills") to earn prevailing short-term market interest rates to serve as collateral for the Forward Agreements.

Each Forward Agreement with a Forward Counterparty, in which the ETF is provided with exposure that corresponds positively with the exposure to the HAP Nexus Hedge Fund Replication Trust, requires the ETF to pay the Forward Counterparty an agreed notional amount. In return, the Forward Counterparty pays the ETF the value of the notional investment, plus an amount based upon any increase or decline in the HAP Nexus Hedge Fund Replication Trust. Each Forward Agreement with a Forward Counterparty, in which the ETF is provided with exposure that corresponds negatively with the exposure to the HAP Nexus Hedge Fund Replication Trust, requires the Forward Counterparty to pay the ETF an agreed notional amount. In return, the ETF pays the Forward Counterparty the value of the notional investment, plus an amount based upon any increase or decline in the HAP Nexus Hedge Fund Replication Trust. The ETF also invests the net proceeds of unit subscriptions in interest bearing accounts and T-Bills to earn short-term money-market interest rates. The terms of the Forward Agreements requires the ETF, for any applicable Forward Counterparty, to pledge substantially all of its respective interest bearing account and T-Bills to the New Forward Counterparty to secure the payment of the ETF's payment obligations under the Forward Agreements.

In respect of the Forward Agreements, the ETF has the ability to replace the Forward Counterparty or engage additional Forward Counterparties at any time.

Notes to Financial Statements (unaudited) (continued)

June 30, 2019

(b) Forward Counterparty Restrictions

The Forward Counterparties to any Forward Agreements entered into by the ETF must be a chartered Canadian bank or an affiliate of a chartered Canadian bank whose obligations are guaranteed by a chartered Canadian bank, and which has a designated rating.

In respect of short-term securities or instruments (where the maturity date of the security or instrument is less than one year), Forward Counterparties must have a designated rating for Commercial Paper/Short-Term Debt no lower than (a) Dominion Bond Rating Service Limited ("DBRS") - "R-1(low)"; (b) Fitch Ratings ("Fitch") - "F1"; (c) Moody's Investors Service ("Moody's") - "P-1"; and (d) Standard & Poor's ("S&P") - "A-1(Low)".

In respect of long-term securities or instruments (where the maturity date of the security or instrument is equal to or greater than one year), Forward Counterparties must have a designated rating for Long-Term Debt no lower than (a) DBRS - "A"; (b) Fitch - "A"; (c) Moody's - "A2"; and (d) S&P - "A".

Forward Counterparties are subject to the applicable short-term or long-term designated ratings restrictions listed above. The Forward Counterparties to the Forward Agreements meet those designated ratings requirements.

Each Forward Agreement has a remaining term to maturity at any point in time of less than five years which, with the consent of the ETF and the applicable Forward Counterparty, will be extended annually for a fixed number of years and, provided no default or event of default and no unresolved hedging event or disruption event has occurred and is continuing, the ETF has the ability to request the termination of its exposure under a Forward Agreement, in whole or in part, at any time.

(c) Forward Agreements Exposure

The table below shows the notional exposure of the ETF to Forward Agreements as at June 30, 2019, and December 31, 2018, as measured by the Net Notional Exposure. In addition, designated ratings for the Forward Counterparties at each reporting date are presented, as is the credit risk exposure (see note 5) of derivative assets as shown in the statement of financial position.

As at	Counter-party[1]	Notional Exposure	Credit Risk	DBRS Rating	Fitch Rating	Moody's Rating	S&P Rating
June 30, 2019	NBC	$26,121,608	$2,220,755	AA (low)	A+	Aa3	A
Dec. 31, 2018	NBC	$46,471,556	$169,440	AA (low)	A+	Aa3	A

[1] NBC refers to National Bank of Canada

8. LEVERAGE

The aggregate market exposure of all instruments held directly or indirectly by HHF to gain exposure to the Hedge Fund Index, calculated daily on a mark-to-market basis, can exceed HHF's net asset value, and can exceed the amount of cash and securities held as margin on deposit to support the derivatives trading activities of the Fund. Under normal market conditions, the maximum amount of leverage used, directly or indirectly, by the ETF and the Replication Strategy, expressed as a ratio of total underlying notional value of the securities and/or financial derivative positions of HHF divided by the net assets of HHF (the "Leverage Ratio"), will generally not exceed 3:1. For periods of extreme volatility of the Hedge Fund Index, the Leverage Ratio used by HHF and the Replication Strategy may exceed 3:1.

Notes to Financial Statements (unaudited) (continued)
June 30, 2019

The following table discloses the minimum and maximum leverage levels for the ETF for the period ended June 30, 2019, and for the year ended December 31; the ETF's leverage at the end of those reporting periods; and, approximately what that leverage represents as a percentage of the ETF's net assets.

Period/Year Ended	Minimum Leverage	Maximum Leverage	Leverage at end of Reporting Period	Approximate Percentage of Net Assets
June 30, 2019	nil	2.31:1	1.05:1	105%
December 31, 2018	1.97:1	2.52:1	2.29:1	229%

9. SECURITIES LENDING

In order to generate additional returns, the ETF is authorized to enter into securities lending agreements with borrowers deemed acceptable in accordance with National Instrument 81-102 – *Investment Funds* ("NI 81-102"). Under a securities lending agreement, the borrower must pay the ETF a negotiated securities lending fee, provide compensation to the ETF equal to any distributions received by the borrower on the securities borrowed, and the ETF must receive an acceptable form of collateral in excess of the value of the securities loaned. Although such collateral is marked to market, the ETF may be exposed to the risk of loss should a borrower default on its obligations to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities. Revenue, if any, earned on securities lending transactions during the period is disclosed in the ETF's statements of comprehensive income.

As at June 30, 2019, and December 31, 2018, the ETF was not participating in any securities lending transactions. For the periods ended June 30, 2019 and 2018, the ETF did not earn any income from securities lending transactions.

10. REDEEMABLE UNITS

The ETF is authorized to issue an unlimited number of redeemable, transferable Class E units each of which represents an equal, undivided interest in the net assets of the ETF. Each unit entitles the owner to one vote at meetings of unitholders. Each unit is entitled to participate equally with all other units with respect to all payments made to unitholders, other than management fee distributions, whether by way of income or capital distributions and, on liquidation, to participate equally in the net assets of the ETF remaining after satisfaction of any outstanding liabilities that are attributable to units of that class of the ETF. All units will be fully paid and non-assessable, with no liability for future assessments, when issued and will not be transferable except by operation of law.

The redeemable units issued by the ETF provide an investor with the right to require redemption for cash at a value proportionate to the investor's share in the ETF's net assets at each redemption date. They are classified as liabilities as a result of the ETF's requirement to distribute net income and capital gains to unitholders. The ETF's objectives in managing the redeemable units are to meet the ETF's investment objective, and to manage liquidity risk arising from redemptions. The ETF's management of liquidity risk arising from redeemable units is discussed in note 5.

On any trading day, which is defined as the day that a net asset value of the ETF is being struck, unitholders of the ETF may (i) redeem units of the ETF for cash at a redemption price per unit equal to 95% of the closing price for units of the ETF on the TSX on the effective day of the redemption, where the units being redeemed are not equal to a prescribed number of units ("PNU") or a multiple PNU; or (ii) redeem, less any applicable redemption charge as determined by the Manager in its sole discretion from time to time, a PNU or a multiple PNU of the ETF for cash equal to the net asset value of that number of units.

Notes to Financial Statements (unaudited) (continued)
June 30, 2019

Units of the ETF are issued or redeemed on a daily basis at the net asset value per security that is determined as at 4:00 p.m. (Eastern Time) each business day. Purchase and redemption orders are subject to a 9:30 a.m. (Eastern Time) cut-off time.

The ETF is required to distribute any net income and capital gains that it has earned in the year. Income earned by the ETF is distributed to unitholders at least once per year, if necessary, and these distributions are either paid in cash or reinvested by unitholders into additional units of the ETF. Net realized capital gains, if any, are typically distributed in December of each year to unitholders. The annual capital gains distributions are not paid in cash but rather, are reinvested and reported as taxable distributions and used to increase each unitholder's adjusted cost base for the ETF. Distributions paid to holders of redeemable units are recognized in the statement of changes in financial position.

Please consult the ETF's most recent prospectus for a full description of the subscription, exchange and redemption features of the ETF's units.

For the periods ended June 30, 2019 and 2018, the number of units issued by subscription and/or distribution reinvestment, the number of units redeemed, the total and average number of units outstanding was as follows:

Period	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
2019	3,590,559	100,000	(1,825,000)	1,865,559	2,373,708
2018	3,078,059	862,500	–	3,940,559	3,587,797

11. EXPENSES

Management fees

The Manager provides, or oversees the provision of, administrative services required by the ETF and the Fund (together, the "Funds") including, but not limited to: negotiating contracts with certain third-party service providers, such as portfolio managers, custodians, registrars, transfer agents, auditors and printers; authorizing the payment of operating expenses incurred on behalf of the Funds; arranging for the maintenance of accounting records for the Funds; preparing reports to unitholders and to the applicable securities regulatory authorities; calculating the amount and determining the frequency of distributions by the Funds; preparing financial statements, income tax returns and financial and accounting information as required by the Funds; ensuring that unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Funds comply with all other regulatory requirements, including the continuous disclosure obligations of the Funds under applicable securities laws; administering purchases, redemptions and other transactions in units of the Funds; and dealing and communicating with unitholders of the Funds. The Manager provides office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the Funds. The Manager also monitors the investment strategies of the Funds to ensure that the ETF and the Fund each complies with its investment objectives, investment strategies and investment restrictions and practices.

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.45%, plus applicable sales taxes, of the net asset value of the ETF's Class E units, calculated and accrued daily and payable monthly in arrears.

Notes to Financial Statements (unaudited) (continued)
June 30, 2019

The Manager also receives a monthly fee at the annual rate of 0.50%, plus applicable sales taxes, of the net asset value of the HAP Nexus Hedge Fund Replication Trust, calculated and accrued daily and payable monthly in arrears for services similar to those provided to the ETF. The aggregate annual management fee is approximately 0.95% of the net asset value of the ETF.

The Replication Strategy Weightings Provider is compensated for its services by the Manager without any further cost to the ETF or to the Fund.

Other expenses

Unless otherwise waived or reimbursed by the Manager, the ETF pays all of its operating expenses, including but not limited to: audit fees; trustee and custodial expenses; valuation, accounting and record keeping costs; legal expenses; permitted prospectus preparation and filing expenses; costs associated with delivering documents to unitholders; listing and annual stock exchange fees; index licensing fees, if applicable; fees payable to CDS Clearing and Depository Services Inc.; bank related fees and interest charges; extraordinary expenses; unitholder reports and servicing costs; registrar and transfer agent fees; costs associated with the Independent Review Committee; income taxes; sales taxes; brokerage expenses and commissions; and withholding taxes.

The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

Fees related to the operation of the Forward Agreements are not included in the management fees or other operating expenses of the ETF. Forward fees related to the Forward Agreements, as described in the "Fees and Expenses" section of the ETF's prospectus, are payable to the Forward Counterparty based on the net assets of the HAP Nexus Hedge Fund Replication Trust. For the purposes of financial reporting, these expenses have been disclosed in "transaction costs" in the statement of comprehensive income and are included in the trading expense ratio in the management report of fund performance.

12. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS

Brokerage commissions paid on securities transactions may include amounts paid to related parties of the Manager for brokerage services provided to the ETF.

Research and system usage related services received in return for commissions generated with specific dealers are generally referred to as soft dollars. The Investment Manager does not engage in soft dollar arrangements.

Total brokerage commissions paid to dealers in connection with investment portfolio transactions, soft dollar transactions incurred and amounts paid to related parties of the Manager for the periods ended June 30, 2019 and 2018, were as follows:

Period Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
June 30, 2019	$nil	$nil	$nil
June 30, 2018	$nil	$nil	$nil

Notes to Financial Statements (unaudited) (continued)

June 30, 2019

In addition to the information contained in the table above, the management fees paid to the Manager described in note 11 are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income. The management fees payable by the ETF as at June 30, 2019, and December 31, 2018, are disclosed in the statements of financial position.

The ETF may invest in other ETFs managed by the Manager or its affiliates, in accordance with the ETF's investment objectives and strategies. Such investments are disclosed in the schedule of investments.

13. INCOME TAX

The ETF has qualified as a mutual fund trust under the *Income Tax Act* (Canada) (the "Tax Act") and accordingly, is not taxed on the portion of taxable income that is paid or allocated to unitholders. As well, tax refunds (based on redemptions and realized and unrealized gains during the year) may be available that would make it possible to retain some net capital gains in the ETF without incurring any income taxes.

14. TAX LOSSES CARRIED FORWARD

Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years. Non-capital losses carried forwards may be applied against future years' taxable income. Non-capital losses that are realized in the current taxation year may be carried forward for 20 years. As at December 31, 2018, the ETF had net capital losses and/or non-capital losses, with the year of expiry of the non-capital losses as follows:

Net Capital Losses	Non-Capital Losses	Year of Expiry of the Non-Capital Losses
–	$203,532	2035

15. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the ETF may enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. The following table shows financial instruments that may be eligible for offset, if such conditions were to arise, as at June 30, 2019, and December 31, 2018. The "Net" column displays what the net impact would be on the ETF's statements of financial position if all amounts were set-off. "Financial Instruments" may include non-cash collateral pledged by the ETF.

	Amounts Offset ($)			Amounts Not Offset ($)		Net ($)
Financial Assets and Liabilities as at June 30, 2019	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	2,220,755	–	2,220,755	(37,980)	–	2,182,775
Derivative liabilities	(37,980)	–	(37,980)	37,980	–	–

Notes to Financial Statements (unaudited) (continued)
June 30, 2019

	Amounts Offset ($)			Amounts Not Offset ($)		Net ($)
Financial Assets and Liabilities as at December 31, 2018	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	169,440	–	169,440	(19,137)	–	150,303
Derivative liabilities	(19,137)	–	(19,137)	19,137	–	–

16. COMPARATIVE FINANCIAL STATEMENTS

Certain information in the comparative financial statements and/or notes to the financial statements for 2018 has been reclassified to conform to the financial statement presentation adopted for 2019.

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